



Boone County, Indiana

Established 1830

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Date: May 26, 2011
To: J. Barry Wood
Director of Assessments
Indiana Department of Local Government Finance

Re: SUMMARY REPORT
2011 BOONE COUNTY ANNUAL ADJUSTMENT RATIO STUDY

Dear Mr. Wood,

The following document is issued as supporting documentation to the 2011 Boone County Annual adjustment process and subsequent Ratio Study submitted to the Indiana Department of Local Government Finance on May 26, 2011. The Ratio Study was submitted via e-mail, to your attention, in Microsoft Excel format.

The annual adjustment process was performed by Government Utilities Technology Service (GUTS). Upon completion of a preliminary ratio study for Boone County, the following observations and adjustments were made in accordance with IC6-1.1-4 and the Real Property Assessment Guidelines for 2002-Version A. Pursuant to Wood Memo dated January 11, 2011, the ratio study process for Boone County was performed in the same manner for 2011 as it was for 2010.

I. RESIDENTIAL PROPERTIES

- **Vacant vs Improved Sales in Ratio Study - *NOTE:*** While extracting sales for the 2011 Boone County Ratio study, vacant vs improved sales were determined by Box 3 (Vacant Land) in the Conditions Section (B) of the Sales Disclosure Form, not by Property Subclass. In the past, this has been an issue during the review process by the DLGF representative. If box 3 is checked Yes, those sales will be in the Vacant Residential Ratio Study. If box 3 is checked No, those sales will be in the Improved Residential Ratio Study.

At the time many Sales Disclosures were filed with the assessor, data entry on new construction had not been completed. Many parcels involved with improved sales still had a subclass of vacant (500, 501, etc) and the dwellings had not been entered into the system. In order to maximize the number of sales deemed valid and used in the study, the PVDNet Trending/Ratio Study Module points to Box 3 (Vacant Land) when gathering sales, not a subclass that may have been changed after the Sales Disclosure Form was filed. Using Box 3 (Vacant Land) instead of subclass insures that upon signing their names, buyers and sellers are certifying they paid X number of dollars for either Vacant Land or an Improved Property.

- **Methodology:** The annual adjustment process for residential properties in Boone County was conducted by calculating new neighborhood factors based upon sales deemed valid for trending.
- **Application of Factor (50 IAC21-5-2)** Regarding residential improved property classes, new neighborhood factors were calculated and applied in accordance with IC6-1.1-4 and the Real Property Assessment Guidelines for 2002-Version A as sales data dictated. Although some factors did increase, many others decreased as a result of the sluggish and uncertain sales market. Many residential neighborhoods did not have any sales. For neighborhoods with zero or insufficient sales data, the neighborhood factor was changed based on the average change for improved residential properties in that specific residential real estate market. Most often this is identified by the Township, City, or Town that makes up the applicable real estate market. A separate tab has been included in the 2011 Ratio Study spread sheet –named “Nbhd Mkt Pct Chg and Sales Used”- that summarizes this statistic.
- **Sales Data:** Boone County used only sales from the mandated sales window of 1/1/2010 through 3/1/2011 to trend each individual neighborhood so long as the number of sales from this window was declared sufficient to support uniform and accurate assessments for Improved Residential properties (typically, 5- or more). If the number of sales was not sufficient, sales from the year 2009 were incorporated. In the event that sales from 2009 were used, they were not adjusted for time. Upon completion of our research and consultation with numerous real estate professionals, the decision was unanimous that, due to nature of the current real estate market, there is no uniform method of time-adjusting sales that can be easily supported. In the event of insufficient 2010 and 2009 sales, neighborhoods deemed comparable were trended together. Neighborhoods trended together are also noted in the Nbhd Mkt tab referenced in the preceding paragraph.
- **Sufficient sales for Township Ratio Studies:** The initial percentage of sales for each Township in the Improved Residential Study is indicated below:

Center Township	3%
Clinton Township	2%
Eagle Township	6%
Harrison Township	2%
Jackson Township	2%
Jefferson Township	3%
Marion Township	1%
Perry Township	3%
Sugar Creek Township	2%
Union Township	7%
Washington Township	2%
Worth Township	11%

Generally, sufficient sales would be declared at the 3% threshold. Due to the current market conditions, the number of sales is down from previous years so certain Townships were combined for the Improved Residential Ratio Study. Clinton, Harrison and Marion Townships were studied together because they share similar services and market conditions. The statistical requirements were acceptable for each of the other townships so we did not deem it necessary to combine them for the purpose of a ratio study.

- **For Vacant Residential** properties (land only), only 2010 sales were used in all Townships. They (those with sales) were studied independently.

- **Neighborhood Delineations (50 IAC 31-4-1):** A review of the existing residential neighborhood structure for Boone County indicated that the current numbering format and stratification was deemed acceptable in displaying homogenous qualities. The numbering format is such that each neighborhood can be identified by Township by numerical order. As in previous years, some residential neighborhoods required further stratification for differences in lot size and selling price. New neighborhoods were created and applicable parcels moved as supported by sales data.
- **Land Values Reviewed (50 IAC 21-4-2):** Upon review of the existing residential land values, vacant land sales indicated the need for adjustments to both home site base rates and residual rates in several areas. Using both vacant lot sales and Land-to-Value Ratio comparisons, adjustments were made to platted subdivision land rates. It should be noted that vacant land sales continue to be sparse in the rural area of Boone County. It should also be noted that many rural sales involve land that is being farmed and thus assessed as agricultural. This almost always results in a skewed ratio between assessed value and price paid (market value). In almost every instance, this was considered invalid. Also, many vacant land sales are still being assessed at the developer rate and must always be considered invalid until they are fully assessed.

II. COMMERCIAL-INDUSTRIAL PROPERTIES

- **Sales Data (50 IAC 21-3-3):** Boone County considered all valid approaches to value (Sales, Cost, and Income) for Commercial/Industrial properties. All available 2010 improved Commercial and Industrial sales were reviewed. There were not sufficient sales to utilize the sales comparison approach exclusively so other approaches to valuation were considered and researched in accordance with IAAO standards.
- **Income data (50 IAC 21-3-3):** GUTS is continuing the process of incorporating the income approach in the calculation and verification of income-producing, commercial/industrial assessments. The sources for the data used in these assessments were gathered from individual taxpayer income & expense data, public access documentation and IncomeWorks software. Through the process of modeling, GUTS has calculated and/or considered income data for every applicable commercial property in the county.
- **Neighborhood Delineations (50 IAC 31-4-1)** All Commercial/Industrial neighborhoods were evaluated and subtle changes were made to neighborhood delineations. New boundaries were established and some combined as to maintain consistency and equality across jurisdictions.
- **Land Values Reviewed (50 IAC 21-4-2)** Updates were also made to Commercial/Industrial Unimproved properties but sales were sparse. Aerial photography was used to correct invalid land classification allocations. There were insufficient sales to conduct a ratio study on Vacant Commercial Land.
- **Application of Factor (50 IAC 21-5-2) and overall commercial market status.** As previously stated, there were not ample sales for C/I properties to rely on the sales comparison approach to value. Our research and data indicates that the economy and related real estate market continues to be weak and uncertain through March 1, 2011 although slight improvements are noted in certain classes of commercial properties. Due to the lack of sales for commercial properties, attention was weighted upon the cost and income approach to value.

Slight changes are evident in decreased vacancy and capitalization rates for certain income-producing properties. Although different across commercial property uses (Retail, Warehouse, Multi-family, Office, Flex, etc.), the net percent difference indicates a nominal change in value for commercial and industrial properties in Boone County for 2011.

- **Golf Course Properties.** Pursuant to IC 6-1.1-4-42, The Boone County Assessor attempted to gather the required data in order to assess all golf courses in Boone County based upon the income capitalization approach. Based upon the data received for 2011, it appears that golf course properties have suffered significant losses in value in Boone County.
- **Industrial Sales.** There were no valid industrial improved or unimproved sales for this year thus no ratio study for this class is submitted.